

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7668

BILL NUMBER: HB 1762

DATE PREPARED: Jan 8, 2001

BILL AMENDED:

SUBJECT: Local funding of penal facilities.

FISCAL ANALYST: David Hoppmann

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill allows the Vanderburgh County Income Tax Council to increase the County Option Income Tax (COIT) rate and the County Economic Development Income Tax (CEDIT) rate by not more than 0.25%. It provides that the combined COIT rate and CEDIT rate may not exceed 1.25%. It provides that the revenue generated by the increased tax rate must be used to fund the construction or maintenance of a county jail, juvenile detention center, or locally operated community corrections facility.

Effective Date: January 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: In accordance with the provisions of this bill, revenue from the additional combined tax rate increase of 0.25% for COIT and/or CEDIT would be used to pay for the costs of constructing or maintaining a county jail, juvenile detention center, or locally operated community corrections facility.

Explanation of Local Revenues: Under current Indiana law, counties are allowed to impose COIT at a tax rate of up to 1%. Under the provisions of this bill, Vanderburgh County would be allowed to impose COIT at a tax rate of up to 1.25%. Also under current law, counties are allowed to impose CEDIT at a tax rate of up to 0.5% (with certain exceptions). Under this bill, Vanderburgh County would be allowed to impose CEDIT at a tax rate of up to 0.75%.

The CY 2001 COIT certified distribution at a 1% rate for Vanderburgh County is \$31,203,507. (Currently Vanderburgh County does not adopt CEDIT.) An additional 0.25% COIT or CEDIT tax increase would equal approximately \$7.8 M in additional gross revenue for the entire year.

Vanderburgh County would be allowed to adopt the COIT and/or CEDIT rate increase between January 1, 2002 and before April 1, 2002 which would take effect July 1, 2002. If the County Council imposes the increase as described above, Vanderburgh County would begin receiving revenues beginning in January of 2003. The projected collections for CY 2003 are not available at this time. (However, these amounts are assumed to be approximate to the CY 2001 projected collections.)

Background

Under current Indiana law, a county must adopt an increase in its CAGIT rate by April 1 of a given year. In July of that year, the State Budget Agency will calculate a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

Combined COIT/CEDIT Rate

Under current Indiana law (with few exceptions), counties that impose COIT and CEDIT may not exceed a combined COIT/CEDIT rate of 1%. Vanderburgh County would be allowed to adopt a combined rate of 1.25% in accordance with this bill.

State Agencies Affected: State Budget Agency; Department of State Revenue.

Local Agencies Affected: Vanderburgh County.

Information Sources: State Budget Agency.